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## The Sharing Economy – How Over-Regulation Could Destroy An Economic Revolution

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The sharing economy describes a rise of new business models ('platforms') that uproot traditional markets, break down industry categories, and maximise the use of scarce resources. The best known services are the ridesharing system Uber and the accommodation service Airbnb. However, the sharing economy extends much further into finance, home tools, investment, and everyday tasks.

The 'sharing economy' emerged from dramatically falling transaction costs that had prevented certain markets from developing. The sharing economy coordinates exchanges between individuals in much the same way as a traditional market, but does so in a flexible, self-governing, and potentially revolutionary way.

These burgeoning benefits are profound: more sustainable use of idle and underutilised resources; flexible employment options for contractors; bottom-up self-regulating mechanisms; lower overheads leading to lower prices for consumers; and more closely tailored and customised products for users.

These sharing economy platforms are only in their embryonic stage of development. The benefits to the Australian economy as the market becomes more efficient are likely to expand. This expansion will only occur if Australia's entrepreneurs are left to experiment and innovate.

The real threat to the sharing economy is government regulation driven by the incumbent industries that are challenged. The danger of excessive legislation and regulation will absorb the gains yielded by technology improvements, preventing mutually beneficial trade and stifling economic growth.

This paper recommends new approaches to regulatory design that would encourage the growth of the sharing economy:

- regulators should encourage bottom-up, organic, self-regulating institutions prior to introducing top-down government control;
- occupational licensing needs to be reduced to allow private certification schemes and reputation mechanisms to evolve;
- industry specific regulatory frameworks need to be avoided;
- regulations making it harder for start-ups to compete for labour need to be reduced; and
- the status of individual contractors needs to remain separate from highly restrictive employment law.



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